



Southern Montana Telephone Company

PO Box 205, Wisdom, MT 59761

Phone: 406-689-3333

Fax: 406-689-3959

smtc@smtel.com

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July 28, 1998

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Dear Ms. Salas:

Enclosed are the original and sixteen (16) copies of the comments of Southern Montana Telephone Company in response to the Commission's Notice of Proposed Rulemaking in CC Docket No. 98-77.

Also enclosed is one copy of our comments to be stamped and returned in the enclosed self-addressed stamped envelope.

Sincerely,

Conrad Eklund
General Manager

cc: Competitive Pricing Division
Common Carrier Bureau
Room 518
1919 M Street NW
Washington, DC 20554

International Transcription Service
1231 20th Street NW
Washington, DC 20036

Encl.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)

Access Charge Reform for Incumbent) CC Docket No. 98-77
Local Exchange Carriers Subject to)
Rate-of-Return Regulation)

Comments of Southern Montana Telephone Company

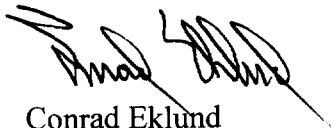
Southern Montana Telephone Company is a small rural local exchange carrier serving 933 access lines in the state of Montana. These comments focus on the impact of certain proposals included in the Notice of Proposed Rulemaking (NPRM) for access reform for rate-of-return incumbent local exchange carriers.

Specifically, we oppose the proposed rule change to allocate a portion of the General Support Facilities to the Billing and Collection category. While this procedure may be appropriate for price cap companies who provision the Billing & Collection service using their own computers, it is not appropriate for the small rural LECs that rely heavily on service bureaus for the provisioning of this service. Small LECs have very little opportunity to reduce billing & collection costs because they are dependent on outside service bureaus for providing this service. Other rule changes over the years have tended to allocate more and more cost to the interstate billing and collection category to the point that many small companies can no longer make a profit on the service. This proposed change to the Part 69 allocation rules will provide many small LECs with the unintended incentive to terminate Billing & Collection agreements with IXC's.

In 1996 Southern Montana Telephone Company had \$19,274 revenue for the interstate billing and collection service compared to a cost of \$12,082 resulting in a profit of \$7,192 before the OB&C change and the proposed GSF change. The change in OB&C rules applied to the 1996 cost results in an interstate billing and collection cost of \$22,778 which changes the profit to a loss on the service of \$3,504. Taking this analysis the next step and folding in the proposed GSF change results in a cost assigned to interstate billing and collection of \$33,137, increasing the loss on the service to \$13,863.

We ask the Commission to reject the proposed change which would jeopardize the billing and collection service currently provided to interexchange carriers.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Conrad Eklund', written over a horizontal line.

Conrad Eklund
General Manager
Southern Montana Telephone Company

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